



Inter-Departmental Communication

Office of the City Auditor

Date: October 29, 2009

To: Councilwoman Cindy Circo, Co-Chair of the Kansas City Convention Center Hotel Development Steering Committee

From: Gary L. White, City Auditor *g.l.white*

Subject: Reference Checks for the Convention Center Hotel Consulting Services Contract

The Kansas City Convention Center Hotel Development Steering Committee requested at its October 26, 2009, meeting that the City Auditor's Office check the references of the two finalists for the Convention Center Hotel Consulting Services RFP: C.H. Johnson Consulting and Convention Center Hotel Advisors, LLC. The attached spreadsheet contains the results of the reference checks.

Conclusions

All references we contacted for both firms reported that they would hire the consulting firms again and that the firms fulfilled their contractual obligations. References identified each firm's work with the principal of the firm that had been involved in their project, suggesting that the involvement of the principals is critical to the success of consulting projects.

Work Performed

On October 27, 2009, City Auditor's Office staff obtained copies of the proposals submitted by C.H. Johnson Consulting and Convention Center Hotel Advisors, LLC. The RFP requested proposers' responses include the five most relevant or comparable contracts completed by the business during the past five years. One of the proposers provided more than five references. For this proposer, staff eliminated projects that appeared to involve current contractual obligations in favor of contracts that appeared to have been completed. Staff developed a short list of questions and called five of the listed references for each consultant. Staff were sometimes referred to another individual within the organization or asked for another individual when the original reference was no longer available. A summary of the responses is provided in the attached spreadsheet.

To get an objective opinion, we tried to talk to audit departments, however, most localities included in the proposers' list of references did not have an audit department. Of the ones that did, none of the audit departments contacted had direct knowledge of the consultant's performance nor had the audit department conducted subsequent audit work related to the project.

We asked the references about pro forma work the consultants had performed, however, information on actual results was not always available. In some cases, the projects were not completed.

Background

The Convention Center Hotel Consulting Services Request for Proposals (RFP EV00000748) was issued September 1, 2009. Proposals were due by September 25, 2009. The Kansas City Convention Center Hotel Development Steering Committee (Committee) created an RFP Subcommittee (Subcommittee) which evaluated the proposals. At the October 26, 2009, Committee meeting, the Subcommittee recommended that the contract be awarded to Convention Center Hotel Advisors, LLC. References on the proposers were not checked because of the city's previous experience with the recommended proposer. The Committee asked the city auditor to check references for the top two proposers and provide the results to the co-chair of the steering committee by October 29th for dissemination to the other steering committee members.

If you have any questions, please contact me at 513-3320.

Attachment

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Consultant: Convention Center Hotel Advisors, LLC (HREC Development Resources and Conventions, Sports & Leisure, International, Inc.)

What was your experience with the consultant?	What role did the consultant play?	Did the consultant do any pro forma work?	Is the project complete?	Did the consultant fulfill their contract obligations?	Would you hire the consultant again?
Mark Tobin knows/understands the business/hotel operations. He is aggressive, assertive, fair, does his homework, and will protect your interests. He worked as an advisor when bonds were being sold for the project. Wished Tobin had been on board earlier for the project because of the good information he provided. It was a complicated project and Tobin's industry knowledge was valuable. Would recommend Tobin if you were trying to determine if a project makes sense.	Has used John Kaatz several times and had positive experiences. Kaatz is a good communicator, thorough, realistic, has a lot of integrity, and won't move the numbers around. Kaatz has conducted several feasibility studies for convention center expansions and hotel funding.	Some pro formas were put together as part of the pre-bond work. The project is not meeting expectations due to the economy, but their hotel is capturing market share and putting competitors in neighboring cities out of business.	Yes.	Yes.	Yes.
Worked with Mark Tobin. He negotiated the hotel operations agreement/terms and interviewed the hotel proposers.	A pro forma for occupancy rates was developed and Tobin evaluated the feasibility study developed by a different project consultant. The client thought the actual performance of the hotel initially exceeded expectations; not sure now, but thought the hotel was still exceeding or at least meeting expectations.	Thought that some type of pro forma had been done by Kaatz for these projects.	Yes.	Yes.	Yes.
Mark Tobin was very good to work with and did a wonderful job, particularly given the highly politicized environment of the project. Tobin developed a number of analyses for the project related to funding and other elements. Tobin's analysis and conclusions have been borne out with time. John Kaatz had worked on the convention center analysis before the hotel work by Tobin.	Pro formas for occupancy, room rates, revenues, and time frames for the hotel were developed by Tobin. Tobin's work/analysis provided information that the deal with the hotel had some questionable elements in it. Management did not go forward with the hotel. Given the current economy, the hotel would have been in trouble.	No.	No, the hotel was not built.	Yes.	Yes.
Mark Tobin is very direct and confident, and his frankness was appreciated. Tobin will tell you what you need to hear, not what you want to hear. He will tell you what can be supported and not a pipe dream. The project went very well and Tobin provided valuable information. Tobin did the initial feasibility analysis for the project including a market study for the area.	Could not remember whether any pro forma work was done for the project, but thought Tobin probably did. The project initially met budget expectations, but with the current economy the hotel is now below budget expectations. The city also has adequate safeguards in place so that the city has not had to pay anything to help the hotel at this point.	Yes.	Yes.	Yes.	Yes.

Consultant: C.H. Johnson Consulting

What was your experience with the consultant?	Did the consultant do any pro forma work?	Is the project complete?	Did the consultant fulfill their contract obligations?	Would you hire the consultant again?
Used Charlie Johnson for several projects. Johnson developed a pro forma for the convention center project. He also updated and reviewed analyses by other consultants working on the project and helped analyze sites.	Johnson prepared a pro forma on the convention center and reviewed/updated pro formas for the hotel. The hotel's actual performance is lagging a bit behind the pro forma, but that is to be expected given the current economy.	Yes.	Yes.	Yes.
Charlie Johnson had performed an initial study on expanding the convention center and hotel and a couple of years later Johnson was hired to help select a hotel company. Johnson developed the qualifications, RFP, reviewed proposals, and interviewed proposers. Johnson and his firm had more capacity to provide assistance and consultation services than was used because of the amount of subsidy that was available to attract multiple hotel proposers.	Thought Johnson's earlier work may have included studies on room rates, occupancy rates, market studies, etc.	Under construction.	Yes.	Yes.
Charlie Johnson prepared a market study/impact analysis on the effect on the community of an expanded convention center/hotel and the size needed to penetrate the regional market. Johnson was very good and has a good background. Johnson reviewed other analyses prepared by other project consultants and provided some input during the RFP process.	Johnson did some pro forma, including cash flows on the project.	In the design development phase.	Yes.	Yes.
Pretty good working with Charlie Johnson and would recommend the firm. Johnson is well known in the industry. The project started with a market study as the basis for an RFP for hotel developers and Johnson has done a good job on the project. The studies submitted by the hotel proposers confirmed Johnson's numbers so the client thought he provided accurate information. Johnson was responsive and the client expanded the scope of consulting service. Johnson also assisted with two RFPs (hotel developer and hotel brand) and then analyzed the responses and helped with some of the negotiations.	Johnson had developed pro formas or analysis related to market studies, occupancy, room rates, competition.	No.	Still under contract, but wrapping up and so far obligations have been fulfilled.	Yes.
Charlie Johnson was very good, knowledgeable, responsive, and professional. Johnson did a hotel feasibility study that included economic and market analyses, some cost analysis as well as some pro formas.	Johnson did some pro forma work.	Indefinitely on hold.	Yes.	Yes.